

## Message Text

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PAGE 01 STATE 124372  
ORIGIN COME-00

INFO OCT-01 CIAE-00 DODE-00 EB-07 NSAE-00 USIA-06  
TRSE-00 EUR-12 ERDA-05 ISO-00 /031 R

DRAFTED BY OEA/CD - RJMCGEEHAN:LWH:JAS  
APPROVED BY EB/ITP/EWT - AREICHENBACH  
COMMERCE/OEA - CBCLEMENTS  
-----290718Z 117616 /14

R 280256Z MAY 77  
FM SECSTATE WASHDC  
TO AMEMBASSY MADRID  
INFO AMEMBASSY PARIS  
AMEMBASSY THE HAGUE

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EXCON

E.O. 11652: N/A

TAGS: ESTC, SP, FR, NL, PINR

SUBJ: PRE-LICENSE CHECK: INSTITUTO ESPAOL DEL ENVASE  
Y GENERAL YAGUE S/N BURGOS, SPAIN

REF: OEA/CD FILE 3-198  
BACKGROUND:

-- MULTIMILLION DOLLAR ILLEGAL DIVERSION SCHEME TO  
TRANSSHIP U.S.-ORIGIN, HIGH-TECHNOLOGY SEMICONDUCTOR  
MANUFACTURING AND TESTING EQUIPMENT TO USSR UNCOVERED IN  
1975 IN FEDERAL REPUBLIC OF GERMANY. OEA/CD INVESTIGATION  
DISCLOSED ALTERNATE CONDUIT IN FRANCE. ONE FRENCH FIRM  
INVOLVED APPEARED AS ULTIMATE CONSIGNEE ON LICENSE ISSUED  
TO E-H RESEARCH LABORATORIES, INC. TRANSACTION COVERED I.C.  
TEST SYSTEM. EXPORT LICENSE SUBSEQUENTLY REVOKED WHEN CON-  
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PAGE 02 STATE 124372

FIDENTIAL INFORMATION REVEALED E-H SYSTEM DESTINED FOR USSR  
END-USER. END SUMMARY.

1. IN ORDER TO PREVENT SOUGHT AFTER STRATEGIC-RATED HIGH  
TECHNOLOGY PRODUCTION AND TESTING EQUIPMENT FOR SEMICONDUCTOR  
DEVICES BEING DIVERTED TO USSR AND OTHER EAST EUROPEAN  
COUNTRIES REQUEST POST CONDUCT PRE-LICENSING CHECK ON

FOLLOWING TRANSACTION.

2. E-H RESEARCH LABORATORIES, INC., OAKLAND, CALIF.,  
APPLIED FOR EXPORT LICENSE (BEWT NO. A253102) TO SHIP ONE  
E-H MODEL 4540 SEMICONDUCTOR TEST SYSTEM WITH IBM 1130  
COMPUTER AND SPARE PARTS, TOTAL VALUE: 345,000 DOLLARS, TO  
SUBJECT FIRM. MEDITERRANEA DE EXPORTACION 7 COMERCIO S.A.  
(MEXCOSA), ESPANOLETA 24, MADRID 4, SHOWN ON APPLICATION AS  
PURCHASER.

3. STATED END-USE: AUTOMATICALLY TEST SEMICONDUCTORS.  
APPLICATION SUPPORTED BY CONSIGNEE/PURCHASER STATEMENT  
INDICATING FULL NAME OF ULTIMATE CONSIGNEE IS INSTITUTO  
ESPANOL DEL ENVASE Y EMBALAJE S.A. (INI), FACTORY GENERAL  
YAGUE S/N, BURGOS, SPAIN. NATURE OF INI BUSINESS  
DESCRIBED AS RESEARCH IN INDUSTRIES. EMILIO PEREZ DE  
AGREDA, DIRECTOR GENERAL, SIGNED FOR ULTIMATE CONSIGNEE.  
STAMPED IMPRESSION BELOW SIGNATURE LISTS MADRID ADDRESS:  
BRETON DE LOS HERRANOS 87, TELEPHONE NUMBERS (2) ILLEGIBLE.  
SECOND NUMBER APPEARS TO BE 238 3258. JOAQUIN SABATE,  
DIRECTOR GERENTE, SIGNED FOR MEXCOSA AS PURCHASER.

4. MATERIAL ATTACHED TO APPLICATION INCLUDE E-H RESEARCH  
COVERING LETTER TO OEA, COPIES OF E-H RESEARCH N.V. INTER-  
OFFICE MEMO, E-H RESEARCH N.V. LETTER WITH QUOTATION TO  
MEXCOSA, MB ELECTRONIQUE LETTER TO E-H RESEARCH N.V.  
ENCLOSING TWO UNTRANSLATED LETTERS FROM AGREDA (INI) TO  
SAOATER (MEXCOSA), AND CREDIT REPORTS ON MEXCOSA. (E-H  
RESEARCH N.V. IS APPLICANT'S SUBSIDIARY LOCATED IN EIND-  
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PAGE 03 STATE 124372

HOVEN, THE NETHERLANDS. MB ELECTRONIQUE, ZAC BUC, FRANCE,  
IS APPLICANT'S REPRESENTATIVE IN FRANCE. MB ASSISTED IN  
PREPARATION OF CONSIGNEE/PURCHASER STATEMENT.) COPIES BEING  
POUCHED TO AMEMBASSY MADRID.

5. INFORMATION IN ABOVEMENTIONED MATERIAL INDICATED MB  
SALESMAN ALLEGEDLY RELATED TO SOMEONE CONNECTED WITH  
PURCHASER. MB REPORTED TO E-H RESEARCH THAT SYSTEM BEING  
BOUGHT FOR SPANISH GOVERNMENT TO BE PART OF GOS TESTING  
FACILITY. CREDIT REPORT ON MEXCOSA DATED 12/28/76 FAILED  
TO ESTABLISH EXISTENCE OF FIRM OTHER THAN A NAME ON PAPER.  
SUBSEQUENT CREDIT REPORT DATED 1/20/77 INDICATED RECENTLY  
FORMED COMPANY. DECLINED STATEMENT, EMPLOYED FIVE, TOTAL  
ASSETS 300,000 PESETAS YET FIRM CLAIMED THREE MILLION  
PESETAS IN ASSETS. CREDIT REPORT DATED 1/25/77 INDICATED  
MEXCOSA A "WHOLESALE AND EXPORTER OF SPANISH INDUSTRIAL  
MACHINERY AND SUPPLIES AND IMPORTER ON A SMALL SCALE".

6. OEA/CD HAS NO INFORMATION ON THE PROPOSED ULTIMATE

CONSIGNEE.

7. THE EQUIPMENT COVERED IN THE PROPOSED TRANSACTION WAS ORIGINALLY BUILT FOR THE FRENCH FIRM ELECTRONIQUE LECORGNEDOMERGUE (ELD), AUBERVILLERS, FRANCE. WHEN A MULTIMILLION DOLLAR ILLEGAL DIVERSION SCHEME TO DIVERT HIGH-TECHNOLOGY SEMICONDUCTOR MANUFACTURING AND TESTING EQUIPMENT WAS UNCOVERED AT HONEYWELL GMBH IN THE FEDREP, A FRENCH FIRM NAMED SOCIETE COMMERCIALE INDUSTRIELLE ET ELECTRONIQUE (SOCIE), GIF SUR YVETTE, FRANCE, WAS DISCLOSED AS AN ALTERNATE CONDUIT. SUBSEQUENT INVESTIGATION SHOWED ELD AND SOCIE ASSOCIATE FIRMS. AN EXPORT LICENSE PREVIOUSLY ISSUED TO E-H RESEARCH TO EXPORT THE 4540 SYSTEM TO ELD WAS REVOKED WHEN CONFIDENTIAL

INFORMATION REVEALED THAT THE SYSTEM WAS DESTINED FOR UNAUTHORIZED DIVERSION TO THE USSR.  
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PAGE 04 STATE 124372

8. THE ABOVEMENTIONED DIVERSION ATTEMPT, AS WELL AS OTHER ALREADY ACCOMPLISHED DIVERSIONS, ARE UNDER INVESTIGATION. INVOLVEMENT OF THE APPLICANT, ITS NETHERLANDS SUBSIDIARY AND ITS REPRESENTATIVE IN FRANCE HAVE NOT BEEN RULED OUT.

9. THE PROFILE OF CONDITIONS THAT ORDINARILY ATTEND TRANSACTION FOR SUCH EQUIPMENT: A) ULTIMATE END-USER WOULD BE ESTABLISHED FIRM EMPLOYING HIGHLY SKILLED TECHNICIANS, B) NUMBER OF EMPLOYEES IN RANGE 50 TO 100, C) ROOMS WHERE EQUIPMENT TO BE INSTALLED WOULD MEET LABORATORY STANDARDS, E.G., CONTROLLED TEMPERATURE, DUST/DIRT FREE, D) OVERALL MANUFACTURING FACILITY WOULD CONSIST OF SEGREGATED OPERATIONS, I.E., SERIES OF ROOMS FOR VARIOUS PRODUCTION STAGES SUCH AS SLICING, POLISHING, CHEMICAL PHASE, PHOTO AREA ETC.

10. SUCH A FACILITY WOULD ALSO NEED 10,000 SQUARE FEET OR MORE OF FLOOR SPACE, GENEROUS WATER SUPPLY,

ELECTRIC POWER INPUT OF 1,000 AMPS 110V/100 KW - WITH CABLE FROM STREET TO FACTORY VISIBLE. IF CABLE BURIED, THEN BIG SERVICE BOX WOULD INDICATE PRESENCE/LOCATION.

11. LEITMOTIF RECENT INVESTIGATIONS REVEAL ATTEMPTS TO SIMULATE ABOVEMENTIONED PRE-INSTALLATION CONDITIONS, I.E., EDO USUALLY TOLD ABOUT OR TAKEN TO BUILDING SITE WHERE EQUIPMENT TO BE INSTALLED WHEN CONSTRUCTION COMPLETED OR BUILDING SPACE RENOVATED. EDO CAN GUARD AGAINST SUCH RUSE BY BEARING IN MIND THAT IT IS NOT

FINANCIALLY FEASIBLE TO PURCHASE SUCH EXPENSIVE EQUIPMENT

UNLESS IT IS INSTALLED AND IN USE BY COMPETENT PERSONNEL  
WITHIN RELATIVELY SHORT PERIOD OF FEW WEEKS.

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PAGE 05 STATE 124372

12. E-H RESEARCH AUTOMATED TEST SYSTEMS IN THE 4500/4600  
SERIES ARE UNIQUE. ONLY SIXTEEN SUCH SYSTEMS, INCLUDING  
ONE IN THIS PENDING TRANSACTION, ARE KNOWN TO BE IN  
EXISTENCE. END-USERS INCLUDE IBM, TOSHIBA, BURROUGHS,  
HITACHI, HONEYWELL (IN U.S.), BELL NORTHERN RESEARCH

OF CANADA AND THE U.S. NAVAL RESEARCH LABORATORIES.  
UNLESS PROPOSED SPANISH END-USER IN SAME LEAGUE WITH  
PREVIOUSLY MENTIONED PRESENT END-USERS, PROBABILITY OF  
DIVERSION IS LIKELY.

ACTION REQUESTED

13. MAKE ENQUIRIES AT APPROPRIATE GOVERNMENT LEVEL TO  
DETERMINE NATURE/SCOPE OF WORK DONE BY NATIONAL  
INSTITUTE OF INDUSTRY. ALSO DETERMINE IF INI IS  
GOVERNMENT OR QUASI-GOVERNMENT AGENCY. IF GOS AGENCY,  
DOES IT RETAIN TITLE/PHYSICAL CUSTODY OF EQUIPMENT IT  
PURCHASES OR PROVIDES FUNDS TO PURCHASE?

14. VISIT ULTIMATE CONSIGNEE AT MADRID OFFICE TO DISCUSS  
TRANSACTION AND DETERMINE BONA FIDES OF TRANSACTION BY  
EXAMINATION OF DOCUMENTATION RELATING TO IT, I.E., SOURCE  
OF FUNDS, ENGINEERING REPORTS SHOWING NEED FOR SUCH  
EQUIPMENT ETC. IF INI NOT GOS AGENCY, REQUEST THEY  
COMPLETE WTDR INFORMATION.

15. VISIT PURCHASER. DISCUSS TRANSACTION. EXAMINE

DOCUMENTATION AND CORRESPONDENCE (LETTER OF CREDIT,  
QUOTATION REQUEST, PURCHASE ORDER ETC.) RELATED TO  
TRANSACTION. MEXCOSA SHOULD BE ENCOURAGED TO DISCUSS  
CHRONOLOGY OF SUBJECT TRANSACTION. ALSO, GIVE INDICATION  
IF ANY ADDITIONAL TRANSACTIONS ARE PLANNED THAT INVOLVE  
SIMILAR U.S. ORIGIN EQUIPMENT. MEXCOSA SHOULD BE ASKED  
TO COMPLETE WTDR INFORMATION.

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PAGE 06 STATE 124372

16. VISIT PLANT AT BURGOS. DETERMINE BONA FIDES  
FURTHER BY TOUR OF FACILITY. ASK PROPOSED PRODUCTION  
SCHEDULE AND SPECIFICALLY WHAT KIND OF SEMICONDUCTORS  
WILL BE PRODUCED AND TESTED. ALSO WHERE SEMICONDUCTORS  
WILL BE USED. INQUIRE WHETHER OTHER U.S. ORIGIN SEMI-  
CONDUCTOR MANUFACTURING EQUIPMENT HAS BEEN ORDERED AND  
FROM WHOM.

17. THE INVESTIGATOR SHOULD GIVE THE IMPRESSION THAT THIS  
IS A NORMAL PRE-LICENSING CHECK. THERE SHOULD BE NO  
REFERENCE TO OUR CONCERN THAT DIVERSION IS INTENDED AT  
THIS TIME. AS NOTED, THE EQUIPMENT INVOLVED AND THE  
MODUS OPERANDI OF THE PRINCIPALS LEAD US TO PRECAUTIONARY  
ACTION IN SALES OF THIS TYPE.

18. CABLE DETAILED RESULTS OF EMBASSY INVESTIGATION. VANCE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** END USE CHECKS, EXPORT LICENSES, INVESTIGATIONS, SEMICONDUCTOR DEVICES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 28-May-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977STATE124372  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** RJMCGEEHAN:LWH:JAS  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770192-0631  
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**From:** STATE  
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**Litigation History:**  
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**Message ID:** 259da494-c288-dd11-92da-001cc4696bcc  
**Office:** ORIGIN COME  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 11-Mar-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2527110  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PRE-LICENSE CHECK: INSTITUTO ESPAOL DEL ENVASE Y GENERAL YAGUE S/N BURGOS, SPAIN  
**TAGS:** ESTC, PINR, SP, FR, NL  
**To:** MADRID  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/259da494-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009